

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 31, 2003

TO: Honorable David Dewhurst , Lieutenant Governor, Senate
 Honorable Tom Craddick, Speaker of the House, House of Representatives

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2292 by Wohlgenuth (Relating to the provision of health and human services in this state, including the powers and duties of the Health and Human Services Commission and other state agencies; providing penalties.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2292, Conference Committee Report: a positive impact of \$1,007,522,109 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

Estimated savings should be compared to funding levels sufficient to conform to current policies and law. Estimated savings should not be compared to agency "building block" funding requests.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$390,597,929
2005	\$616,924,180
2006	\$486,171,875
2007	\$550,015,057
2008	\$595,200,213

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>GENERAL REVENUE FUND 1</i>	Probable Savings from <i>GENERAL REVENUE FUND 1</i>	Probable (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/(Loss) from <i>FOUNDATION SCHOOL FUND 193</i>
2004	\$92,396,907	\$375,233,393	(\$85,132,371)	\$8,100,000
2005	\$123,353,650	\$607,277,188	(\$121,806,658)	\$8,100,000
2006	\$130,952,832	\$475,406,894	(\$128,287,851)	\$8,100,000
2007	\$145,518,700	\$539,560,492	(\$143,164,135)	\$8,100,000
2008	\$162,576,525	\$585,087,192	(\$160,563,504)	\$8,100,000

Fiscal Year	Probable (Cost) from <i>QUALITY ASSURANCE</i> 5080	Probable Revenue Gain from <i>QUALITY ASSURANCE</i> 5080	Probable Revenue Gain/(Loss) from <i>HOME HEALTH SERVICES ACCT</i> 5018	Probable Savings from <i>HOME HEALTH SERVICES ACCT</i> 5018
2004	(\$10,870,833)	\$27,313,652	(\$227,500)	\$26,730
2005	(\$10,865,543)	\$27,314,084	(\$227,500)	\$26,730
2006	(\$10,865,543)	\$27,314,084	(\$227,500)	\$26,730
2007	(\$10,865,543)	\$27,314,084	(\$227,500)	\$26,730
2008	(\$10,865,543)	\$27,314,084	(\$227,500)	\$26,730

Fiscal Year	Probable Savings/ (Cost) from <i>FEDERAL FUNDS</i> 555	Probable Savings/ (Cost) from <i>INTERAGENCY CONTRACTS</i> 777	Change in Number of State Employees from FY 2003
2004	\$581,076,038	\$1,422,220	(975.6)
2005	\$623,233,596	\$2,383,787	(2,112.5)
2006	\$688,524,115	\$2,383,787	(2,362.5)
2007	\$746,836,450	\$2,383,787	(2,362.5)
2008	\$739,294,505	\$2,383,787	(2,362.5)

Fiscal Analysis

The bill would make numerous changes to the provision of health and human services. Sections with fiscal implications or other significance are noted under methodology.

Methodology

The following estimate is based primarily on the response from the Health and Human Services Commission (HHSC), which analyzes the fiscal impact to all existing health and human services agencies (with the exception of the Cancer Council).

Restructure health and human services/call center sections are estimated to produce GR savings: \$31.6 million in FY 2004, increasing to \$87.6 million in FY 2008. These sections would also result in the following full-time-equivalents (FTE) reductions: 1,102.1 in FY 2004, 2,162.5 in FY 2005, and 2,412.5 in each subsequent year.

Third party reimbursements is estimated to produce GR savings: \$0.9 million in FY 2005 and \$1.8 million in each subsequent year.

Vendor drug program sections are estimated to produce a net positive impact to GR. Estimated GR savings: \$58.0 million in FY 2004, increasing to \$181.5 million in FY 2008. Estimated GR costs: \$65.3 million in FY 2004, increasing to \$120.1 million in FY 2008. Additionally, these sections are estimated to produce a gain in GR: \$64.0 million in FY 2004, increasing to \$116.8 million in FY 2008.

Medical service prior authorization is estimated to produce a GR savings of \$150,000 in FY 2004 and \$305,000 in each subsequent year.

Investigation and enforcement is estimated to produce GR savings of \$12.7 million per year, beginning in FY 2004.

MOU--OAG is estimated to cost \$4.7 million GR in FY and \$4.3 in each subsequent year. Also estimated is an increase of 200.0 FTEs.

Medicaid fraud reduction pilot is estimated to cost \$0.3 million GR and to save \$4.0 GR, for a net savings of \$3.7 million GR in FY 2004. The pilot is assumed to operate for one year.

TANF fraud is estimated to produce savings of \$3.6 million in TANF federal funds per year, beginning in FY 2004.

Medicaid managed care is estimated to produce GR savings of \$5.8 million in FY 2004, increasing to \$7.4 million in FY 2008.

Criminal history is estimated to produce GR costs of \$250,000 in FY 2004 and \$50,000 in FY 2005.

CHIP eligibility and benefits are estimated to produce GR savings of \$66.2 million in FY 2004, increasing to \$82.6 million in FY 2008.

Quality assurance fee is estimated to produce a net positive impact to GR-Dedicated Account 5080. Estimated costs include \$10.9 million GR per year. Estimated GR revenue gains include \$27.3 per year.

TANF/Medicaid sanctions is estimated to produce savings to TANF federal funds and to Medicaid General Revenue and Medicaid Federal Funds. Estimated GR savings include approximately \$14 million per year. A one-time offsetting GR cost of \$0.4 million is estimated for FY 2004. Estimated savings to federal funds (primarily Medicaid funding) includes approximately \$40 million per year.

Medicaid assets is estimated to produce GR savings of \$104 million for the 2004-05 biennium.

TANF eligibility is estimated to produce GR costs including \$0.3 million in FY 2004, increasing to \$0.5 million in FY 2008. Estimated federal funds costs include \$0.9 million in FY 2004, increasing to \$1.2 million in FY 2008.

Healthy marriage development program would represent a cost to federal funds (probably TANF); however, an estimate of increased expenditures has not been prepared at this time.

Prescription drug limit is estimated to produce GR savings of \$27.5 million in FY 2004, increasing to \$43.6 million in FY 2008.

Medicaid claims is estimated to produce GR costs of approximately \$150,000 per year.

Third-party insurance is estimated to produce GR savings of \$1.2 million per year.

Medicaid cost-sharing is estimated to produce a net positive impact to GR. Estimated gains to GR include \$18.9 million per year—beginning in FY 2005. A similar savings to GR is estimated per year. Estimated GR costs include \$25.5 million per year. An increase of 2.0 FTEs per year is estimated.

ECI sliding fees is estimated to produce a net positive impact to GR. Estimated gains to GR include \$1.9 million per year. A similar savings to GR is estimated per year. Estimated GR costs include \$1.9 million per year.

Rehabilitation Commission section is estimated to produce GR savings of \$3.4 million per year.

Premium tax sections are estimated to produce a gain to GR of \$30.9 million per year, \$8.1 million of which would be deposited to the Foundation School Fund (193). The estimated GR cost per year is \$11.8 million.

Transportation sections are estimated to produce \$4.0 million in GR savings per year. The section would also result in FTE reductions of 76.5 in FY 2004 and 153.0 in each subsequent year.

Advisory committees section is estimated to produce a GR savings of \$50,000 to \$60,000 per year.

Medicaid/CHIP waiver is estimated to produce a GR cost of approximately \$16,000 per year and to necessitate 1.0 additional FTE.

Repealing certain services is estimated to produce GR savings of \$6.4 million per year.

Home and community support services agencies section is estimated to produce: a loss in GR-dedicated (Account 5018) revenue of \$227,500 per year; a savings of \$26,370 per year in GR-dedicated (Account 5018), and a reduction of one FTE.

Delaying 12 month continuous eligibility is estimated to produce a GR savings of \$284.2 million for the 2004-05 biennium.

Note: Because the bill would create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source, the fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Technology

Various sections of the bill would necessitate modifications to information systems currently in use or under development. Related costs are included in the above estimate.

Local Government Impact

Regarding Floor Amendment 21 (countywide state hospital district): Because the bill would not have statewide impact on units of local government of the same type or class, no comment from this office is required by the rules of the House/Senate as to its probable fiscal implication on units of local government.

Regarding the rest of the bill: No significant fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 320 Texas Workforce Commission, 324 Department of Human Services, 327 Employees Retirement System, 367 Telecommunications Infrastructure Fund Board, 454 Department of Insurance, 529 Health and Human Services Commission

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